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LETTER DATED 2 DECEMBER 1996 FROM THE PRESIDENT OF THE GOVERNING COUNCIL OF THE UNITED NATIONS COMPENSATION COMMISSION ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

The combination of the delay in the implementation of resolution 986 (1995) and the exhaustion of the "matching funds" that the Government of the United States of America had transferred to the United Nations escrow account pursuant to resolution 778 (1992) has frustrated the ability of the United Nations Compensation Commission to present a totally funded draft budget for 1997, which amounts to some $28 million, when the Commission had projections of only $10.5 million being available in the Compensation Fund from savings and non-expenditures made during 1996.

As the problem began to loom, the Commission concentrated its efforts to avoid or delay incurring expenses in order to increase as much as possible the funds available for the following year's operations. These conservation efforts have resulted in the current expectation that the Fund will have $13 million available to finance the 1997 budget.

Simultaneously, the Commission addressed the 17 main claimant countries, those with claims worth over $1 billion each, to provide the Commission with recoverable bridging funds to fully finance the 1997 budget. The first positive reaction to these efforts came from the Government of Kuwait, which approved a reimbursable contribution of $5 million. The Government of the United Kingdom of Great Britain and Northern Ireland has advanced its decision to contribute $250,000 based on the expectation that the other claimant countries interested in the success of the compensation operation, and most particularly the members of the European Union, would also make contributions.

Through its Irish presidency, the European Union has also been directly approached having in mind that, during the last four years, almost all of the contributions to the United Nations escrow account pursuant to resolution 778 (1992), which triggered the United States matching funds that have kept the Compensation Commission financially afloat, came from countries that are members of the European Union - as well as from the European Union itself through its Commission.

We have also directly approached the Governments that had confiscated the proceeds of the sale of amounts of Iraqi oil in 1991 but have not yet transferred, even partially, such funds to the United Nations escrow account for Iraq-related operations, from which the Compensation Fund would draw 30 per cent.

Parallel with this, the United Nations Compensation Commission has been following closely, through direct and indirect sources, the advancing process of the implementation of resolution 986 (1995) in order to assess its feasibility and proximity as well as its timely impact on the Commission's ability to fully fund its budget for 1997. It should be pointed out that the Governing Council of the Commission has mandated the creation of a reserve equal to one additional year's budgetary costs, that is, 1997 and 1998.

All these considerations have advised in favour of delaying this report until a clearer picture has emerged, which now seems to be the case. The most recent events with regard to resolution 986 (1995) can now be taken into account as the 1997 budget is reviewed and decided upon, since the prospects for full funding are now significantly improving.

We trust that now, with the full support of the Security Council, resolution 986 (1995) will be finally and wholly implemented, allowing the Compensation Commission to fulfil integrally the mission that the Council entrusted to it in 1991.

Nevertheless, our efforts continue in order to obtain as many as possible bridging contributions, even in the form of pledges that would be made effective only on the contingency that resolution 986 (1995) were still not to be fully implemented by the end of the first quarter of 1997.

In the meantime, the Commission would deeply appreciate all efforts that the Security Council and its President can put into effect to spur the temporary bridging contributions that the Commission is seeking in the immediate future, which would be immediately reimbursed in full once the funds resulting from implementation of resolution 986 (1995) are made available to the Compensation Fund.

Thank you most warmly for the attention given to this information and its request.

(Signed) Giuseppe BALDOCCI
President
Governing Council
United Naticns Compensation Commission